

Ward, Jim (UTC)

From: Gordon Wilson [GordonW@fcsgroup.com]
Sent: Thursday, November 13, 2008 3:33 PM
To: Tom Miller
Cc: Tom Miller; Steve Dowd; Powers, Cape; gkittleson@suncadia.com; David Findlay; Ward, Jim (UTC); Eckhardt, Gene (UTC); Shutler, Dennis (UTC); Eisenberg, Paul
Subject: RE: Followup questions - Suncadia water
Attachments: Response to Tom Miller 11-12-2008.doc

Tom,

Attached is a memo addressing your questions below. Let me know if any of it is not clear.

Gordon Wilson | Project Manager

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From: Tom Miller [mailto:tmillerwa@gmail.com]
Sent: Saturday, November 08, 2008 9:22 AM
To: Gordon Wilson
Cc: Tom Miller; Home; Steve Dowd
Subject: Followup questions - Suncadia water

I am directing this message to you in hopes of getting an explanation and avoiding confusing the water rates more than they are already are. You are welcome to share this with whomever you need. I wanted to get answers to my questions prior to providing my comments to the WUTC prior to their November 26th meeting. Thanks for agreeing to delay until then.

I have attached an annotated model spreadsheet with questions and highlighted sections to hopefully make my comments clearer. I'll try to summarize my questions here. As always, feel free to call or email if you need clarification or have questions.

1. It is not clear why the revenue requirements have increased so significantly from the original filing. I have taken out the irrigation system requirements since we all agree that is a completely different system (with the exception of allocation of maintenance staff time and costs – I'll cover that later). The total revenue requirement increased by 15% and the capital recovery by 43% from the July 2nd model. We don't understand why the revenue requirement would increase by that amount in 4 months. Please explain.

2. It is not clear how the RTS revenue is being applied to the rates. The capital recovery applied to RTS is 52% of the total and yet they have 608 customers as opposed to 125 water using customers. Capital recovery should be equally shared by all customers in our opinion. A justification for that allocation would be helpful for our understanding. Can you put a simple table together that shows residential base and consumption rates and RTS rates with a breakdown that shows recovery of capital, depreciation, operating costs, and cost of water (including fixed amount and variable amount) for each of those? It would also be helpful to show what is being applied to reserves (if any). I think that would help clear this up and enable me to explain it to the other

committee members that I am working with. We would expect that all of the operations costs borne by the RTS customers would be applied to the base rate since RTS customers should have no impact on consumption rate.

3. We would prefer to see at least 60% of the operations costs applied to the consumption rate as opposed to the base rate. Since there is a "true up" on the variable water usage in a year, this would have zero impact on the revenue of the water company.

4. Can you please validate that your understanding is that CIAC is at the discretion of the developer and that the CIAC percentage of the irrigation system has no relationship to the CIAC percentage of the potable water system?

5. The allocation of 29% of the maintenance staff to the irrigation system still seems to be inequitable given that they are estimated to be applied to the irrigation system 80% of the time 5.5 months of the year. That is actually 36.6% of the total time for a year and we also don't believe that there is sufficient potable water system work to occupy 100% of their time the remainder of the year (given that the system is under snow 4 months of that time). Wouldn't they be doing pump maintenance during that time (the irrigation system has 85% of the pump capacity)? We need a better explanation of that allocation or at least the opportunity to "true up" their time in the same way as the variable water rate once they keep time records.

Going forward, we would recommend using an average winter usage bill with a spring "true up" as opposed to only billing the base rate through the winter and adding the usage to the next 7 to 8 months. Just a suggestion.

That pretty much covers our questions to this point. I have not yet had time to review all of the materials posted to the WUTC site. I will start working my way through those this weekend. I'll let you know if I have any additional questions related to those materials. I work in Redmond if it would be helpful to get together face-to-face to discuss any of this. The residential owners are committed to having a healthy water system that is properly funded. They just want to understand that their interests are being properly addressed and the costs equitably shared.

Thanks for your help.

Sincerely,

Tom Miller
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425-466-4858 (cell)